

Successful Credit Management Takes Planning

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Credit is an important element of the United States' economy. Credit extends purchasing power and helps satisfy consumer wants and needs. Many individuals depend on credit to meet financial obligations. This fact sheet provides some tips on managing credit.

CONTROLLING SPENDING

The first step in maintaining good credit is to control spending. However, sometimes the accessibility of credit makes it easy to overspend, and overspending can lead to debt that is difficult to get under control. Unpaid bills can damage your credit rating and make it impossible to obtain credit when you need it, for example, for a new home or car purchase.

If you find yourself in debt and unable to pay your bills on time or at all, there are two basic steps to take:

- **Set up a payment plan.** Establish a budget or payment plan and stick to it to retire all debts. Creditors will work with you if you show sincerity and determination. Developing a budget and disciplining your spending is the key to creating and maintaining healthy credit.
- **Seek the advice of a credit counselor.** There are consumer credit counseling services in communities throughout California. These programs offer budget analysis, review of credit obligations and repayment options. For more information or services near you, call Consumer Credit Counseling at 1-800-388-2227.

DEALING WITH A DEBT COLLECTION AGENCY

Debt collection agencies are businesses that collect and enforce payment of bills. If you fall behind on a payment, the creditor may send your account to a debt collection agency.

If a debt collection agency calls don't ignore them. If you do so, you may find yourself saddled with a court judgment and forced to pay the full amount or more than you actually owe. Contact the collection agency immediately whether you believe you owe the debt or not. If you don't owe the debt, you can probably convince the debt collection agency by showing a receipt, or, in the case of mistaken identity, by providing a social security number, driver's license number, or your addresses for the past five years. Once the creditor has contacted a collection agency, you must resolve your problem with the collection agency and not the creditor. Going to the creditor will not solve your problem.

Know your rights as a debtor. A debt collection agency must abide by certain laws when attempting to recover a debt from you. You have a right to receive certain information when a debt is referred to a collection agency, including the amount of the debt, the name of the creditor, and a statement from the collection agency showing that unless you dispute the debt, it will be assumed to be valid. If you dispute the debt, you must do so in writing within 30 days after you received the notice.

- The collection agency and its representatives must identify themselves when they contact you.
- A collection agency has a duty to respect certain privacy interest of a debtor. You have the right to request that the agency stop contacting you or not contact you at your place of employment.
- It is unlawful for the collection agency to harass you by telephone, use obscene language, or threaten you with physical violence.
- A collection agency may not use misrepresentation or deception to obtain information from you.

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REBUILDING YOUR CREDIT

Once you've paid your debts, or have established a solid history of repaying them, you can rebuild your credit and your credit rating. However, you may still have blemishes on your credit report that may make it difficult to obtain a loan or new credit. There are steps to take and certain types of credit that can be obtained that will put you in a position to show creditors that you are capable of paying your bills on time.

Rebuild your credit by using an existing account. If you have a credit account, use it to rebuild your credit rating by paying it on time, or paying it off each month, for a period of at least six to nine months. This will give creditors a positive credit history, as well as current information on your ability to pay.

Rebuild your credit by using secured credit cards. Some banks offer "secured" credit cards to people with poor credit ratings. These cards require that the customer open a competitive rate savings account with the bank offering the card. The customer is assigned a credit limit of up to 150% of the savings deposit. After a probationary period, the creditor often drops the minimum savings requirement and/or raises the credit limit. However, not all creditors consider that a good payment history on a secured credit card shows that a consumer has rehabilitated his or her credit.

CREDIT REPORTS

You can examine your credit file as often as you like. You may examine your credit REPORT as often as you like by contacting credit reporting agencies. TRW, Equifax, and Trans Union, are the three major credit reporting companies and they will send you a copy of your credit report within five business days. You cannot be required to pay more than \$8.00 for each credit report. Sometimes, the information on credit reports is incomplete or inaccurate. You can dispute the completeness or accuracy of any item of information on your credit report by sending a written notice of dispute to the credit reporting agency.

Contact : Equifax 1-800-685-1111

TRW 1-800-422-4879

TransUnion 1-800-858-8336

THINGS TO CONSIDER

A good credit report is essential to obtain and maintain good credit. The road to rebuilding your credit starts with you. Examine how you got into debt. Decide if you need help, then develop and follow a budget plan. Pay your bills on time and pay off all your debts. By establishing a strong foundation of responsibility in paying your debts, you will be in a good position to start rebuilding and developing a healthy credit identity.

For more information about credit, contact:

Consumers Credit Counseling Services at 1-800-388-2227

Federal Trade Commission at 356-5270 or 310-235-4000

Attorney General's Office at 1-800-952-5225

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